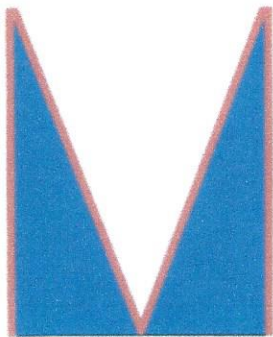


## **City of Donnellson**

Independent Accountant's Examination Report  
on Applying Agreed-Upon Procedures  
For the Period  
August 1, 2013 Through July 31, 2014



### **MARTIN P BROWN CPA**

**Certified Public Accountant**

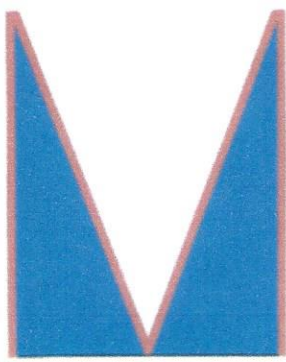
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## Independent Accountant's Examination Report

To the Honorable Mayor  
And Members of City Council:

I have performed an examination of the City of Donnellson pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Donnellson for the period August 1, 2013 through July 31, 2014. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures performed are as summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances are properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal 2014 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I reviewed compliance with Chapters 12C.2, 12B.10 and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. I reviewed debt, including general obligation and revenue bonds and notes and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.

10. I reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
11. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts, and compliance with the public purpose criteria established by Article II, Section 31 of the Constitution of the State of Iowa.
12. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. I reviewed the annual budget for proper authorization, certification, and timely amendment.
15. I reviewed recommendations as outlined by the City's most recent audit ending June 30, 2012, dated March 29, 2013.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was not engaged to and did not conduct an audit of the operations of the City of Donnellson, the objective of which is the expression of opinions on financial statements. Accordingly, I do not express opinions on the City's financial statements. Had I performed additional procedures, or had I performed an audit of the City of Donnellson, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Donnellson and other parties to whom the City of Donnellson may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the City of Donnellson during the course of the examination. If you have any questions concerning any of the above matters, I will be pleased to discuss them with you at your convenience.



Martin P Brown CPA  
Certified Public Accountant  
December 4, 2014



City of Donnellson  
Detailed Recommendations  
For the period August 1, 2013 through July 31, 2014

(A) Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control of each of the following areas for the City:

- (1) Cash and investments: handling, reconciling, recording and custody.
- (2) Receipts: collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements: check writing, reconciling and posting.
- (4) Payroll: preparation, distribution and posting.
- (5) Utilities: billing, collecting, depositing and posting.
- (6) Financial reporting: preparing, reconciling and distributing.
- (7) Long term debt: recording and reconciling.
- (8) Accounting system: performing all general accounting functions.

Recommendation: It is realized segregation of duties is difficult with a limited number of employees and limited resources. However, the City should periodically review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of independent reviews should be indicated by initials of the independent reviewer.

(B) Electronic Check Retention: Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for any of its accounts.

Recommendation: The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

City of Donnellson  
Detailed Recommendations  
For the period August 1, 2013 through July 31, 2014

- (C) Long Term Debt: Long term debt as reported on the Annual Financial Report ending June 30, 2014 did not reconcile with long term debt carried by the City as of that date. Per discussion with management, an outdated report provided by the State Revolving Fund was used to report debt balances in error. Subsequent to the report used, additional draws were made.

Recommendation: Long term debt balances should be reconciled to ensure proper accounting for the City's debt, and for accurate reporting.

- (D) Related Party Transaction: Business transactions between the City and City officials or employees are detailed as follows:

<u>Name and Title</u>	<u>Description</u>	<u>Amount</u>
Donnellson Tire, Owned by David Ellingboe Mayor, sworn in January 2014	Fuel and repairs	\$8981.50

The amount reported above represents related party transactions between Mayor Ellingboe's swearing in in January 2014 and the end of the period reviewed. Total paid to Donnellson Tire for the period August 1, 2013 through July 31, 2014 was \$14761.29. Per discussion with City Clerk this is the only station in the City that offers diesel. There is no indication that the City was charged different amounts than other customers.

With the above considerations, the transactions may represent a conflict of interest per Iowa Code 362.5(k) as total transactions were more than \$2500 during the year reviewed, and there is no indication the services were competitively bid.

Recommendation: The City should consult legal counsel to determine the disposition of this matter.

City of Donnellson  
Detailed Recommendations  
For the period August 1, 2013 through July 31, 2014

The City of Donnellson was incorporated in 1892 and in 2010 had a population of 912. It is located in Lee County.

Officials as of report date:

<u>Name:</u>	<u>Title:</u>	<u>Term Expires:</u>
David Ellingboe	Mayor	12/31/2017
Jan Fraise	Councilmember	12/31/2015
Kevin Schneider	Councilmember	12/31/2017
Deb Nagel	Councilmember	12/31/2017
John Yoder Schrock	Councilmember	12/31/2017
Marty Jacobs	Councilmember	12/31/2015
Jane Krebill	City Clerk	Indefinite

This examination was performed by Martin P Brown, Certified Public Accountant, of the firm Martin P Brown CPA.



Martin P Brown CPA